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Terry Goddard Settles NorVergence Claims with Two Leasing Companies

(Phoenix, Ariz. – May 26, 2005) Attorney General Terry Goddard today announced two settlements that could result in more than $450,000 in debt forgiveness to 10 Arizona victims still being required to make payments on a telecommunications device that is worthless.

Goddard joined 20 other state attorneys general in nationwide settlement agreements with Wells Fargo Financial Leasing, Inc. (WFFL) and Lyon Financial Services d/b/a U.S. Bancorp Business Equipment Finance Group (USB). The settlement is in connection with a widespread telecommunications fraud involving NorVergence, Inc., a bankrupt New Jersey-based telephone equipment and service company. A third company, CIT Technology, is also part of the national settlements, but it does not hold any contracts in Arizona.

NorVergence customers will be contacted directly by WFFL and USB with information on how to participate in these settlement agreements. If all affected Arizona customers participate, the finance companies will forgive or refund about $458,727. Nationwide, these settlement agreements could provide more than $24 million of potential debt forgiveness or refunds to consumers and will affect more than 1,000 former NorVergence contracts.

"The victims in this case were harmed twice. First they were sold a box that didn't do anything, and then again when collection agencies started hounding them to pay for a useless box," Goddard said. "This settlement will help end the nightmare that started with the hope of saving money in business costs, and ended up costing money, time and lots of frustration."

NorVergence's deceptive sales pitch offered to reduce local telephone, long-distance telephone, wireless, and Internet services using purportedly high-tech devices called Matrix boxes. But these boxes were actually just data routers that only cost NorVergence between $500 and $1,500. NorVergence promised consumers a possible 30 percent reduction in their telecommunications bills.

NorVergence typically required an equipment rental agreement for three to five years at a monthly rate of $200 to $4,000 per month, but the Matrix boxes did not provide the promised telephone or Internet services.

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After securing contracts with businesses, NorVergence sold the rental agreements to approximately 40 different finance companies, including, USB, WFFL and CIT. NorVergence had over 9,000 customer accounts nationwide. A majority of the customers were small businesses, non-profit organizations, and local government entities.

Goddard and other state attorneys general have alleged the NorVergence contracts were fraudulent. The Federal Trade Commission also launched an investigation, and some consumers have filed class action lawsuits seeking to collect on the NorVergence leases.

While Wells Fargo and U.S. Bancorp deny any wrongdoing, they have agreed to forgive 85 to 86 percent of the unpaid amounts due under the NorVergence contracts, not including sales or property taxes.

Joining Goddard in the US Bancorp agreement were Attorneys General from Colorado, Connecticut, Delaware, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Michigan, New Hampshire, North Carolina, Ohio, Pennsylvania, Rhode Island, West Virginia and Washington, D.C., and the Georgia Governor's Office of Consumer Affairs.

The Wells Fargo agreement was signed by Goddard and the Attorneys General of Connecticut, Delaware, Illinois, Kansas, Louisiana, Maryland, Massachusetts, Michigan, New Hampshire, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Washington and Washington, D.C., and the Georgia Governor's Office of Consumer Affairs.

The CIT agreement was signed by the Attorneys General from Connecticut, Delaware, Illinois, Maryland, Massachusetts, Michigan, Pennsylvania, Rhode Island and Washington, D.C., and the Georgia Governor's Office of Consumer Affairs.

The settlements also invalidate the so-called "floating" forum clauses in the NorVergence contracts which arguably permitted these companies to sue for collection in other states. Now, any such litigation will generally be restricted to consumers' home states.

Affected consumers will be contacted by the finance companies within 30 days with instructions on how to join in the settlements; consumers will then have 35 days to decide whether to participate.

"These settlements are just a portion of the contracts still out there," Goddard said. "There are other companies still trying to collect on the original NorVergence contracts. We will continue our efforts to help other Arizona consumers who are victims of this fraud."

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